

SENATE BILL REPORT

SB 5333

As Reported by Senate Committee On:
Transportation, February 24, 2009

Title: An act relating to a Washington state patrol retirement system deferred option plan.

Brief Description: Creating a Washington state patrol retirement system deferred option plan.

Sponsors: Senators Haugen, Swecker, Delvin and Parlette.

Brief History:

Committee Activity: Transportation: 2/05/09, 2/24/09 [DPS-WM].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5333 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Haugen, Chair; Marr, Vice Chair; Swecker, Ranking Minority Member; Becker, Berkey, Delvin, Eide, Jarrett, Kauffman, Kilmer, King, Ranker and Sheldon.

Staff: Dory Nicpon (786-7321)

Background: Commissioned employees of the Washington State Patrol (WSP) participate in the Washington State Patrol Retirement System (WSPRS).

Under current law, members of WSPRS, other than the Chief of the WSP, must retire at age 65. Members of WSPRS may retire after 25 years of service or reaching age 55.

During the last 20 years, the retirement plans for several state and local jurisdictions outside of Washington have implemented some version of a Deferred Retirement Option Program (DROP). In a typical DROP, a member of the retirement plan becomes eligible to participate in the DROP after the member becomes eligible to retire. The member elects to participate in the DROP for a specified period, during which the member is no longer considered an active member for pension purposes. The member continues to work and receive compensation, but not service credit. Some or all of the monthly retirement benefit that the member would have received is deposited into a special account, and earns interest. At the end of the DROP period, the member terminates employment, and thereafter the retirement

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

benefit is paid directly to the member. The DROP may allow the balance of the DROP account to be distributed or rolled into a specified type of account.

Summary of Bill (Recommended Substitute): A voluntary DROP is created for members of WSPRS. Certain retirement-eligible WSPRS members who elect to participate in DROP direct their retirement allowance into a DROP account, and they continue their employment with WSP for a specified period. At the end of the DROP period, a participating member ends employment with WSP, collects the accumulated funds in the DROP account, and starts receiving the member's retirement allowance. According to the member's preference, the balance of the DROP account can be paid to the member as a lump sum or rolled over into a qualified retirement account.

Beginning January 1, 2010, a member of WSPRS who has not less than 27 years of service credit, is eligible to retire, and not on disability status, may participate in the WSPRS DROP. The member must continue employment to a specified date. Once a member elects to participate in DROP, the member does not earn any additional service credit or any salary increase adjustment to the member's retirement allowance calculation. The member's retirement allowance receives adjustments for cost-of-living increases, up to 3 percent per year.

During the DROP period, the member and employer continue to make retirement contributions at the rate applicable to active members. The member's DROP account is credited annually with investment earnings of six and one-half percent.

If a member dies during the DROP period, then the balance of the member's DROP account is paid to the member's designated beneficiary or estate. A member who terminates participation in DROP earlier than the member originally elected forfeits the accruals in the member's DROP account. A member who is placed on disability during the DROP period collects a disability allowance, but is terminated from DROP participation and forfeits the accruals in the member's DROP account. However, the DROP account balance may be restored to the member if the member returns to active service with WSP.

EFFECT OF CHANGES MADE BY TRANSPORTATION COMMITTEE (Recommended Substitute): Eligibility to participate in DROP is changed to 27 years of service credit. Once a member elects to participate in DROP, the member's service credit will not be adjusted even if the member terminates participation in DROP. Likewise, the member's retirement allowance will not receive salary adjustments after the member elects participation in DROP.

DROP account deposits consist of 75 percent of the member's monthly retirement allowance (adjusted for cost-of-living), and six and one-half percent annual interest.

Both the member and employer pension contributions continue to be credited to the WSPRS during the DROP period.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 24, 2009.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2009.

Staff Summary of Public Testimony on Original Bill: PRO: This bill will allow the WSP to retain veteran commissioned personnel, which is particularly important when the agency has recruitment difficulties. The objectives are to increase the length of service among commissioned staff and provide an employee benefit. The language regarding the eligibility of patrol officers who have attained the rank of sergeant should be clarified.

Persons Testifying: PRO: Tom Pillow, Rick Jensen, Washington State Patrol Troopers Association; Dave Scherf, Steve Sutton, Washington State Patrol Lieutenants Association.